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## **OLR Bill Analysis**

### **SB 959**

#### ***AN ACT CONCERNING THE GRACE PERIOD FOR LIFE INSURANCE POLICIES AND DESIGNATION OF THIRD PARTIES TO RECEIVE CANCELLATION NOTICES.***

##### **SUMMARY:**

This bill requires life insurance policies to provide a 60-day grace period for premium payments. If the policy becomes subject to a claim during the grace period (i.e., the insured dies) before the overdue premium is paid, the overdue amount may be deducted from the policy settlement.

The bill increases, from at least 30 to at least 60 days, the premium payment grace period required under a life insurance certificate issued by a fraternal benefit society.

The bill also requires insurers that offer life insurance policies to include a conspicuous statement with each policy informing the insured person that he or she may designate a third party to receive cancellation notices due to premium nonpayment. The insurance commissioner must approve the statement, which must include a form and mailing address the insured can use to designate a third party. To be effective, a designation form must satisfy specified criteria.

EFFECTIVE DATE: October 1, 2013

##### **THIRD-PARTY DESIGNATION**

The bill requires a designation form to include the third party designee's written acceptance to receive copies of cancellation notices on the insured person's behalf. The designation must be effective within 10 business days after the date the insurer receives the form and acceptance.

Under the bill, a third-party designee may end the designation by

providing the insurer and insured person with written notice, and the insured person may end the designation by providing the insurer and third-party designee with written notice. The insurer may require termination notices to be sent by certified mail, return receipt requested.

The bill specifies that the insurer's delivery of a copy of a cancellation notice to a third-party designee is in addition to delivery of the original notice to the insured person. It requires all original notices and copies to be mailed in an envelope marked on its face with the following: "IMPORTANT INSURANCE POLICY INFORMATION: OPEN IMMEDIATELY."

The bill specifies that the same law and policy provisions that govern notices to an insured person also govern copies of notices sent to a third-party designee. It also states that designating a third party does not constitute acceptance of any liability by the third party or insurer for services provided to the insured.

#### **COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 12      Nay 6      (03/07/2013)